

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:3

PLR-146800-14

Date: June 12, 2015

Legend

Distributing =

Controlled =

New Sub =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

DRE 1 =

DRE 2 =

LLC =

Business A =

Business B =

Business C =

Lines of Business =

Date 1 =

Date 2 =

Date 3 =

a =

b =

c =

d =

e =

f =

g =

Dear :

This letter responds to your request, dated December 22, 2014, submitted by your authorized representatives on behalf of Distributing, for a ruling on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for ruling. Verification of the information, representations, and other data may be required as part of the audit process.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, regarding one or more significant issues under sections 332, 351, 355, 368, or 1036. The rulings contained in this letter only address one or more discrete legal issues involved in the transaction. This Office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the rulings below.

Summary of Facts

Distributing is a corporation that is publically-traded and is the common parent of an affiliated group of corporations that join in the filing of a consolidated Federal income tax return (the "Distributing Group"). Distributing owns all of the stock of Sub 1, Sub 3, and Sub 4. Sub 1 owns all of the stock of Sub 2. Sub 3 owns all of the stock of Sub 5, and Sub 4 owns all of the stock of Sub 6. The Distributing Group is engaged in Business A, Business B, and Business C.

Proposed Transaction

Distributing has partially consummated the Proposed Transaction in order to distribute Business A to its public shareholders. The relevant steps of the Proposed Transaction are set forth below:

1. On Date 1, Sub 5 converted into a limited liability company (hereinafter, "DRE 1") that will be treated as an entity disregarded as separate from its owner (Sub 3) for federal income tax purposes (a "disregarded entity") ("Liquidation 1").
2. On Date 2, Sub 3 distributed all of its interest in DRE 1 and other retained assets to Distributing.

3. On Date 3, Distributing sold all of the stock of Sub 3 to an unrelated third party in exchange for cash.
4. Sub 4 will distribute all the stock of Sub 6 to Distributing.
5. Sub 6 will convert into a limited liability company (hereinafter, "DRE 2") that will be treated as a disregarded entity ("Liquidation 2").
6. Distributing will, for U.S. Federal income tax purposes, transfer the Business A assets and related liabilities in DRE 2 to New Sub, a newly formed corporation. These assets transferred by Distributing to New Sub will be approximately e% of the gross fair market value of DRE 2's total assets.
7. Distributing will contribute Business A assets and related liabilities, including DRE 1 and the stock of New Sub, to Controlled, a newly formed corporation (the "Contribution") in actual or constructive exchange for Controlled stock.
8. Distributing will distribute at least g percent of the Controlled stock to its shareholders (the "Distribution"). Distributing intends to continue to hold shares representing an a% voting and economic interest in Controlled following the Distribution (the "Retained Shares").

Distributing is currently party to an affiliation agreement (the "Affiliation Agreement") with LLC pursuant to which certain assets that will be transferred to Controlled generate revenue for Business A (the "Controlled Business A Assets"). Sub 1 and Sub 2, are members of LLC and parties to the limited liability company agreement of LLC (the "LLC Agreement").

Pursuant to the terms of the LLC Agreement, if Distributing (together with its affiliates) were to cease to own at least a c% voting and economic interest in the Controlled Business A Assets, then LLC could terminate the Affiliation Agreement. However, if Distributing (together with its affiliates) directly or indirectly retain at least a b% voting and economic interest in the Controlled Business A Assets, then Distributing would have the right to enter into a modified Affiliation Agreement with LLC (the "Modified Affiliation Agreement") that would permit Controlled to continue selling certain LLC products and services for up to 5 years. Distributing and its affiliates will cease to own the requisite c% interest in Controlled's Business A Assets because of the Distribution.

Entering into the Modified Affiliation Agreement would provide Controlled with an estimated \$d in revenue on an annualized basis that it would lose if Controlled had no affiliation agreement with LLC. Distributing intends to hold the Retained Shares following the Distribution in order to allow Controlled to enter into and retain the benefits of the Modified Affiliation Agreement. Although the LLC Agreement only requires that Distributing retain at least a b% voting and economic interest in the Controlled Business

A Assets, in order to permit Controlled to enter into the Modified Affiliate Agreement, Distributing is retaining a slightly greater interest of a% to allow Distributing to continue to retain an interest of b% if its ownership is diluted as a result of Controlled equity issuances. If Distributing's interest in Controlled is diluted below b% due to subsequent issuances of Controlled stock during the five-year period following the Distribution, Distributing and Controlled may temporarily acquire additional shares in Controlled to maintain the b% ownership interest required (the "Additional Controlled Shares") to avoid termination of the Modified Affiliation Agreement.

Representations

Distributing makes the following representations with respect to the Proposed Transaction:

1. Distributing has no plan or intention to transfer, in the aggregate, more than f% of the fair market value of the respective assets of Sub 6 to another corporation.
2. The business purpose for the retention of the Retained Shares is to allow Controlled to enter into and retain the benefits of the Modified Affiliation Agreement for Controlled's business.
3. Following the Distribution, none of Distributing's directors and officers will serve as directors or officers of Controlled.
4. Distributing will dispose of the Retained Shares (and any Additional Controlled Shares) as soon as a disposition is warranted consistent with the business purpose for the Retention, but in any event, not later than the date that is 5 years following the Distribution.
5. The Retained Shares (and any Additional Controlled Shares) will be voted in proportion to the votes cast by Controlled's other shareholders.

Rulings

Based solely upon the information submitted and the representations made, we rule as follows on the Proposed Transaction:

1. Distributing's continuing ownership of the Retained Shares until its disposition within five years of the Distribution will not be in pursuance of a plan having as one of its principal purposes the avoidance of Federal income tax within the meaning of section 355(a)(1)(D)(ii) and Treasury Regulation section 1.355-2(e).

2. Distributing's contribution of DRE 1 to Controlled in the Contribution will not preclude Liquidation 1 from qualifying as a complete liquidation within the meaning of section 332.
3. Distributing's contribution of the Business A assets in DRE 2 to New Sub will not preclude Liquidation 2 from qualifying as a complete liquidation within the meaning of section 332.

Caveats

No opinion is expressed or implied about the federal income tax consequences of any other aspect of any transaction or item discussed or referenced in this letter, or the federal income tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above ruling.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

In accordance with the power of attorney on file with this office, a copy of this ruling letter is being sent to your authorized representative.

Sincerely,

Mark J. Weiss
Chief, Branch 2
Office of Chief Counsel (Corporate)